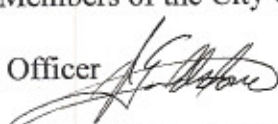


**CITY OF SAN DIEGO
M E M O R A N D U M**

DATE: May 26, 2006

TO: City Council President Peters and Members of the City Council

FROM: Jay M. Goldstone, Chief Financial Officer 

RE: Follow-up Information Requested at the May 24, 2006 Budget and Finance Committee Meeting

On May 24, 2006, the Budget and Finance Committee, in joint session with the City Council, held its final meeting to deliberate on the Mayor's proposed fiscal year 2007 budget. Several questions were raised and supplemental information was requested. A number of these issues will be directly addressed by the Independent Budget Analyst (IBA) in her final recommended amendments to the Mayor's originally submitted fiscal year 2007 budget. Other responses are addressed below.

QUESTION: What cuts, if any, are included in the fiscal year 2007 budget to the Binational Affairs Program?

RESPONSE: In Fiscal Year 2006, the Binational Affairs Program was supplemental and consisted of 1.00 Program Manager position. The program was funded with supplemental Service Level Agreement (SLA) revenues from various enterprise and special funds.

The Binational Affairs Program provides liaison services to Mexico on issues related to border infrastructure, such as expanding existing ports of entry and getting a third one, cross-border sewage flow issues such as ensuring that the international sewage treatment plant goes to secondary treatment, and working with Baja and Tijuana officials on trash, used tires, and sedimentation issues in the Tijuana river valley.

In Fiscal Year 2007, this program was budgeted in the newly created Community and Legislative Services Department, again consisting of 1.00 Program Manager position with an expense of \$147,721. Revenues from SLAs of \$141,896 were also budgeted to support this program; however, as part of the Mayor's corrections to SLAs between Enterprise Fund and General Fund departments, it is recommended that these revenues be

removed from the program budget. This correction to SLA charging practices will not change the program's expenditure budget.

QUESTION: Re-examine the vacancy factor used for the Police Department as well as Citywide revenue projections to see if you can identify \$1 million from each source to fund a \$2 million police retention program.

RESPONSE: The Mayor's Office, along with the Police Chief, is finalizing a comprehensive Retention and Recruitment Program and will bring this Program back to the City Council in the near future. Until this Program has been fully developed and the key components agreed upon, it is premature to actually appropriate additional resources towards this effort. As such, the Mayor recommends that the City Council defer any decision to appropriate an additional \$2 million. Should additional funding be necessary once this Program is implemented, a supplemental appropriation request will be brought back through the Budget and Finance Committee to the full City Council.

QUESTION: Breakout the allocation of the employee pick-up dollars and identify where these dollars are budgeted for in the fiscal year 2007 budget.

RESPONSE: Programs funded in Fiscal Year 2006 with tobacco settlement revenues (TSRs) are included in the Fiscal Year 2007 Proposed Budget using the General Fund savings related to the reduction in the City's "pick-up" of the employee pension contribution. These savings will result in the availability of an estimated \$10.1 million, which will be used to reimburse the General Fund for the allocation of tobacco settlement revenues for securitization purposes.

In Fiscal Year 2006, the tobacco settlement funds were used to fund the following programs:

<u>Program</u>	<u>Amount</u>
Healthy Kids (6 to 6 Program)	\$ 500,000
Multiple Species Conservation	200,000
Enforcement	<u>250,000</u>
TOTAL:	\$ 950,000

The remaining \$9,164,461 in TSRs is used as General Fund discretionary revenue in the current fiscal year.

Since the administration of the 6 to 6 Program will be transitioned to the San Diego Unified School District in Fiscal Year 2007, funding for that program will be limited to lease obligation and transition expenses.

Therefore, the "pick-up" savings will fund the following social service programs and activities in Fiscal Year 2007:

<u>Program</u>	<u>Amount</u>
Healthy Kids (6 to 6 Program)	\$ 143,917
Multiple Species Conservation	200,000
Enforcement	<u>250,000</u>
TOTAL:	\$ 593,917

The remaining funds from "pick-up" savings will be used as General Fund discretionary revenue in Fiscal Year 2007.

The IBA is asking for the restoration of various youth services in an amount of \$356,083 which is equal to the reduction in the 6 to 6 Program.

QUESTION: Which deferred maintenance items will be funded at the reduced levels?

RESPONSE: **Attachment I** is a breakdown of the deferred maintenance items that were to be funded in the fiscal year 2007 budget. The first section of projects represents those that will be funded with funding currently included in the fiscal year 2007 budget. Should the City ultimately proceed with a Pension Obligation Bond later in fiscal year 2007, the remaining projects will be undertaken.

QUESTION: What is the Unappropriated General Fund Reserve at and what transactions have hit this account this year?

RESPONSE: **Attachment II** represents a recap of the transactions which have impacted the General Fund Unappropriated Reserves during this fiscal year. Included on this list is an item scheduled to be considered by the City Council on Tuesday, May 30, 2007. This document will be updated and presented to the City Council each time the City Council is asked to appropriate funds from this Reserve.

QUESTION: MEA's MOU has a provision that should gasoline prices remain above \$3 per gallon for 30 consecutive days, the City has agreed to re-examine the mileage reimbursement rate. What will be the impact on the City's budget should this occur?

RESPONSE: Gasoline prices have been substantially higher for over 30 days, which has triggered Meet & Confer with employee labor organizations to negotiate mileage reimbursement. Since these meetings will be taking place imminently, and in the spirit of good faith negotiations, relevant analysis

and estimates will be provided to City Council via the Meet & Confer process as it proceeds.

There were some additional follow-up questions, such as a further discussion about the 500 positions that are scheduled to be eliminated during Fiscal Year 2007 and staffing of the Northwestern Police Station, that staff will bring back to the Budget and Finance Committee sometime in early Fiscal Year 2007.

cc: Mayor Sanders
Ronne Froman, Chief Operating Officer
Mary Lewis, Financial Management Director
Andrea Tevlin, Independent Budget Analyst

**GENERAL SERVICES DEPARTMENT
FY07 Deferred Maintenance Projects**

Funding Identified in Mayor's FY07 Proposed Budget:	\$20,000,000
Funding immediately available:	\$10,593,222

Priority	Project	Budget
1	San Ysidro Rec Center Roof Replacement	\$ 110,000
2	Bud Kearns Memorial Pool Roof Replacement	\$ 135,000
3	San Ysidro Community Center Roof Replacement	\$ 90,000
4	Museum of Man Roof Replacement	\$ 290,000
5	Main Library Roof Replacement	\$ 550,000
6	Old Globe Roof Replacement	\$ 500,000
7	Malcolm X Library Roof Replacement	\$ 180,000
8	Museum of Art Roof Replacement	\$ 640,000
9	Repair 46th Street Slope Failure	\$ 270,000
10	Repair Talbot Street Slope Failure	\$ 1,000,000
11	Resurfacing approx 11 miles of streets	\$ 4,308,222
12	Slurry Sealing approx 40 miles of streets	\$ 2,520,000
		\$ 10,593,222

Projects identified, but funding not yet available:

Modernize Parkade Elevators	\$ 800,000
Tijuana River Valley Dredging	\$ 4,600,000
Storm Drains - Alta la Jolla	\$ 4,006,778
	\$ 20,000,000

GENERAL FUND UNAPPROPRIATED RESERVES

(in thousands)

	<u>Date of Action</u>	
Beginning Balance 7/1/05		33,925
<u>Previously Approved Current Year Adjustments</u>		
SDPOA vs Aguirre		(500)
Stormwater Claim		(1,500)
Additional Legal Costs (Investigations/Audits)		(927)
Additional Legal Costs (Investigations/Audits)		(733)
SR 56 Condemnation (may be reimbursed)		<u>(10,411)</u>
Total Current Year Adjustments		(14,071)
Current Balance as of May 26, 2007		<u>19,854</u>
<u>Proposed Additional Adjustments</u>		
Additional Legal Costs (De La Fuente)	5/30/06	(1,500)
Updated Balance		<u><u>18,354</u></u> *

* Included in the fiscal year 2006 budget is an anticipated \$3 million additional contribution to this Reserve, depending upon available funding on June 30, 2007. At this point in time, it appears that these funds will be available to be deposited into the Reserve account.